

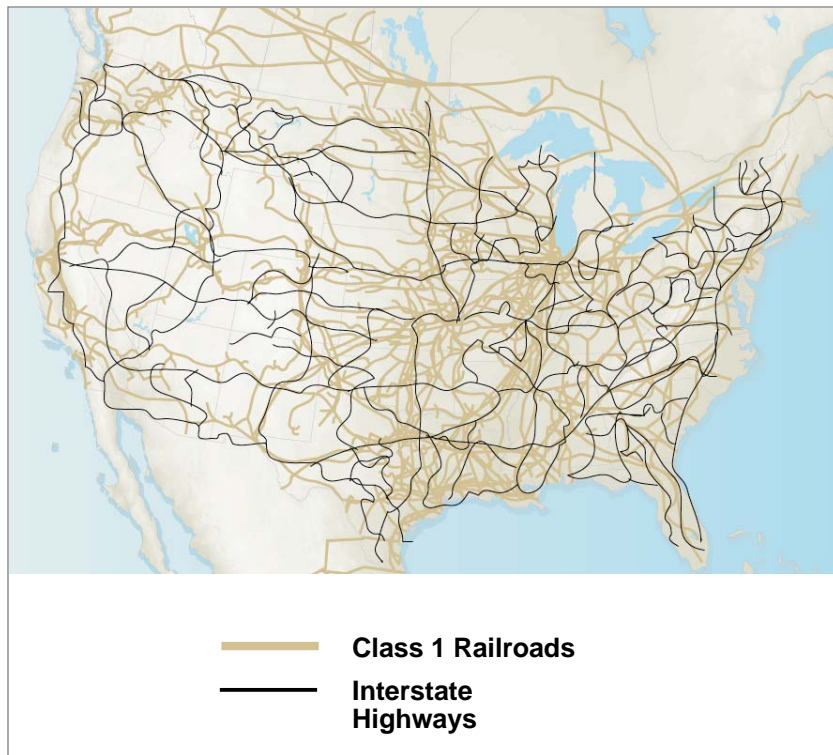
Transforming Our Nation's Infrastructure

**Washington Transportation Commission
April 21, 2009**

**Roger Nober
Executive Vice President
Law and Secretary**



U.S. infrastructure supports millions of supply chains



Miles of supply chain:

- 46,837 miles of Interstate highways
- 173,000+ miles of railroad tracks

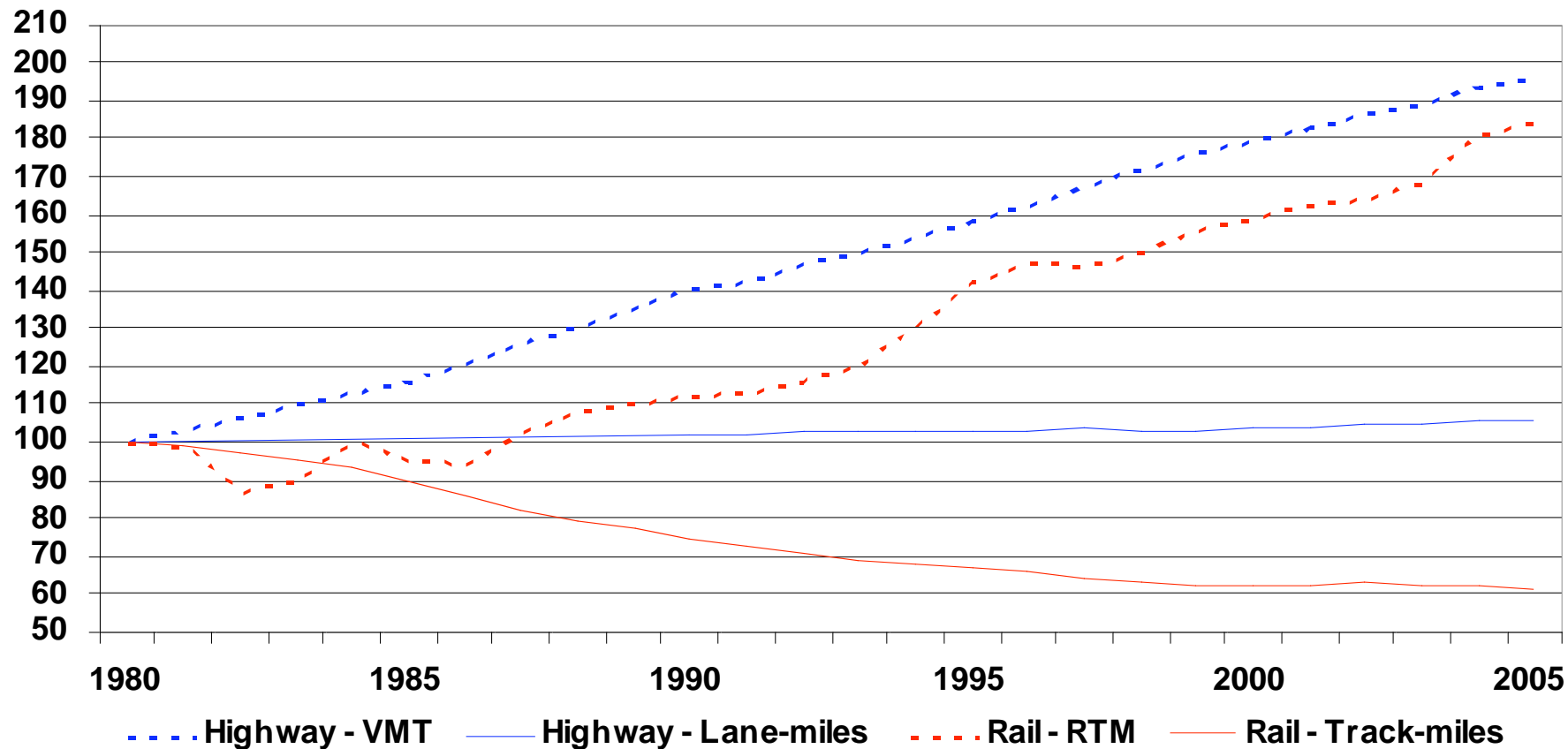
Daily supply chain volume:

- 43 million tons of goods
- Valued at \$29 billion
- 12 billion ton-miles

Source: U.S. Chamber of Commerce, Let's Rebuild America

Capacity is shrinking





US Highway and Rail Networks System Miles and Volumes



Source: National Rail Freight Infrastructure Capacity and Investment Study September 2007 and AAR

Railroads spend more on their infrastructure than states do

Railroad Spending on Way & Structures vs. State Highway Agency Spending

		Total (billions)
 Texas		\$7.57
2. Florida		\$5.69
3. California		\$4.19
Union Pacific		\$4.17
BNSF Railway		\$3.89
4. New York		\$3.59
 Pennsylvania		\$3.30
 Illinois		\$3.30
CSX		\$2.62
7. Michigan		\$2.61
8. North Carolina		\$2.48
 Ohio		\$2.14
Norfolk Southern		\$2.12
10. Georgia		\$1.88

Rail capacity funding is at a shortfall

- Assessed long-term capacity needs of primary rail freight corridors
- Assumed no shift in modal tonnage shares among rail, truck and water beyond those projected by U.S. DOT
- \$39 billion shortfall will occur without a stimulus to bring investments up sooner in their cycle

Class 1 capital investments needed to meet 2035 volume demand

\$135 B



Total Needed

\$39 B



Shortfall

Productivity

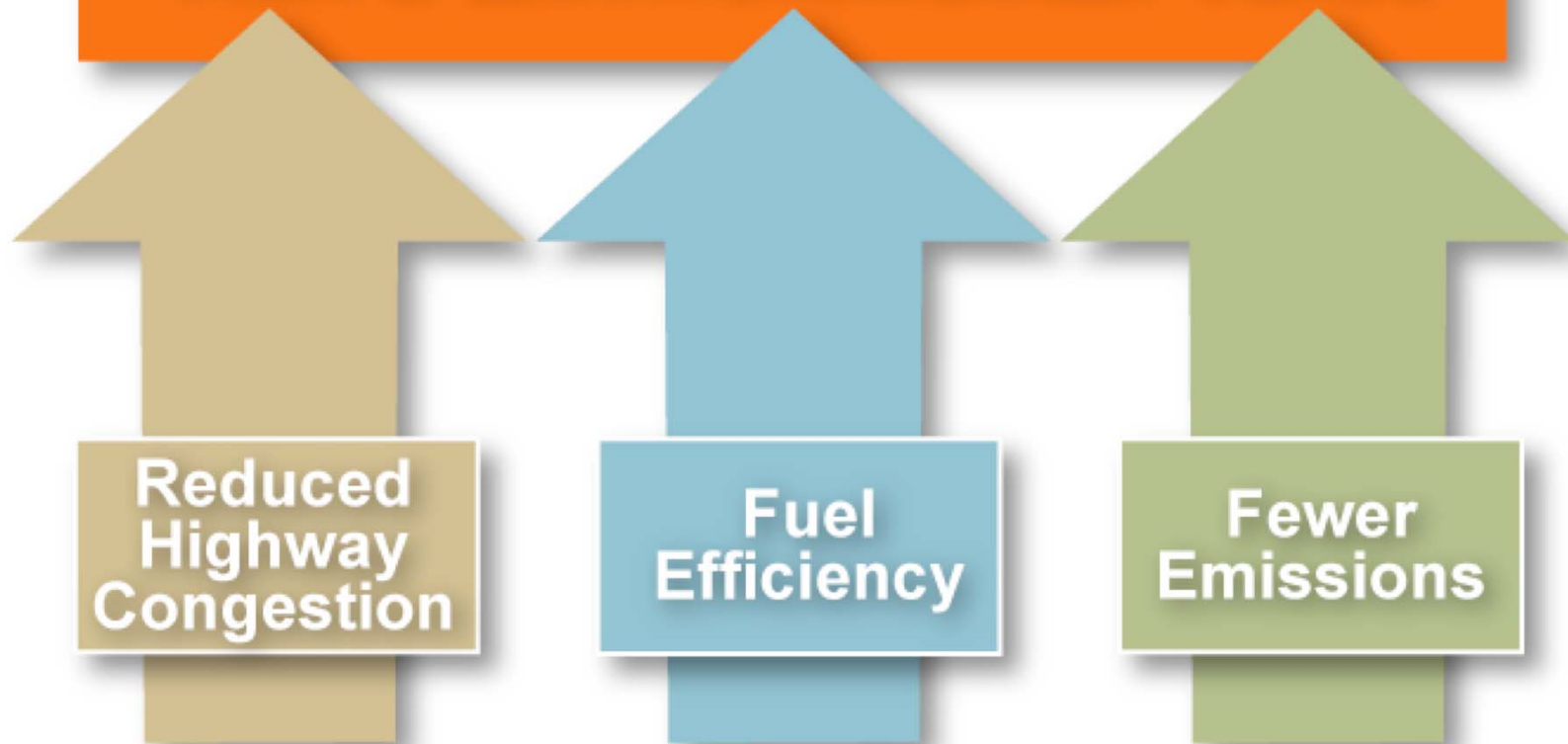
Growth

Sources of Capital

Source: National Rail Freight Infrastructure Capacity and Investment Study September 2007

Why should we invest projects that support rail?

Rail's Environmental Value

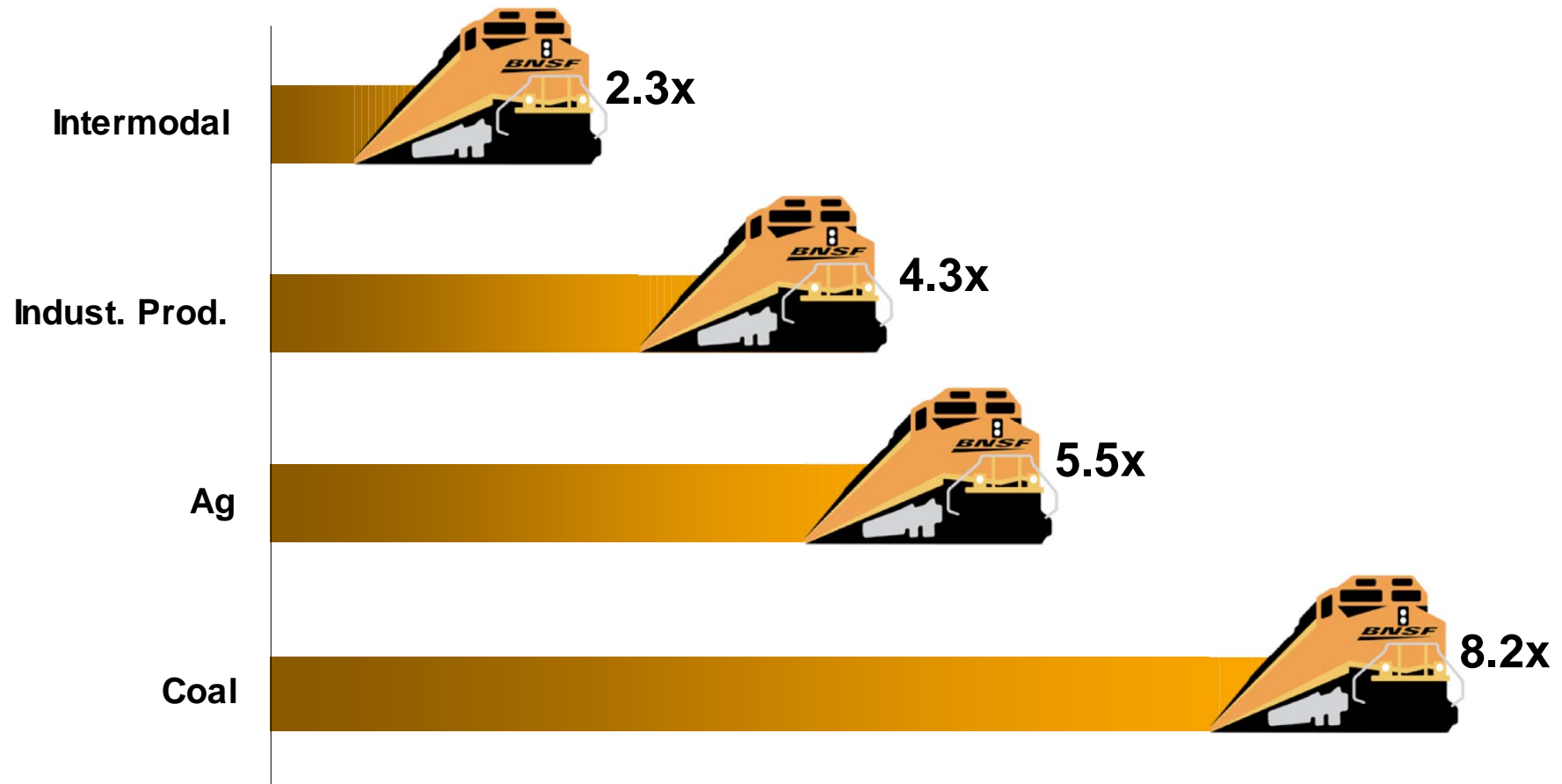


Railroads can help reduce highway congestion



- **BNSF is the largest intermodal carrier in the world**
- **Each year, BNSF moves about 4.6 million containers and trailers**
- **One BNSF intermodal train removes more than 280 long-haul trucks from our nation's highways**

Rail is 2-8 times more fuel efficient than trucks



*Based on a 1,500 mile truck haul

Rail emits a fraction of total U.S. green house gas emissions

Rail = 2.6% of GHGs



Trucks = 21% of GHGs



- In 2008, BNSF moved 4.7 million containers and trailers, reducing GHG emissions by more than 7 million metric tons
- Rail industry moved 11.5 million containers and trailers, reducing GHG emissions by more than 17.2 million metric tons

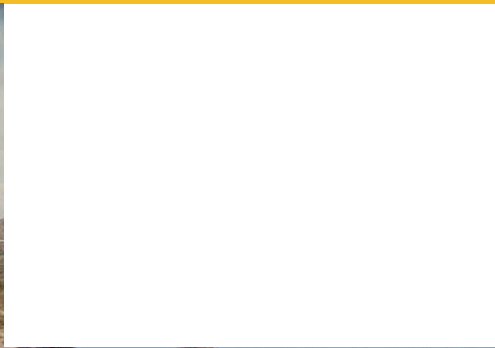
How can we incent more investment in rail?

- **Infrastructure tax incentive**
- **Bonus depreciation**
- **The PTC grant program**
- **Railroad Relocation (RRR)**

State of the rail industry before rational regulation

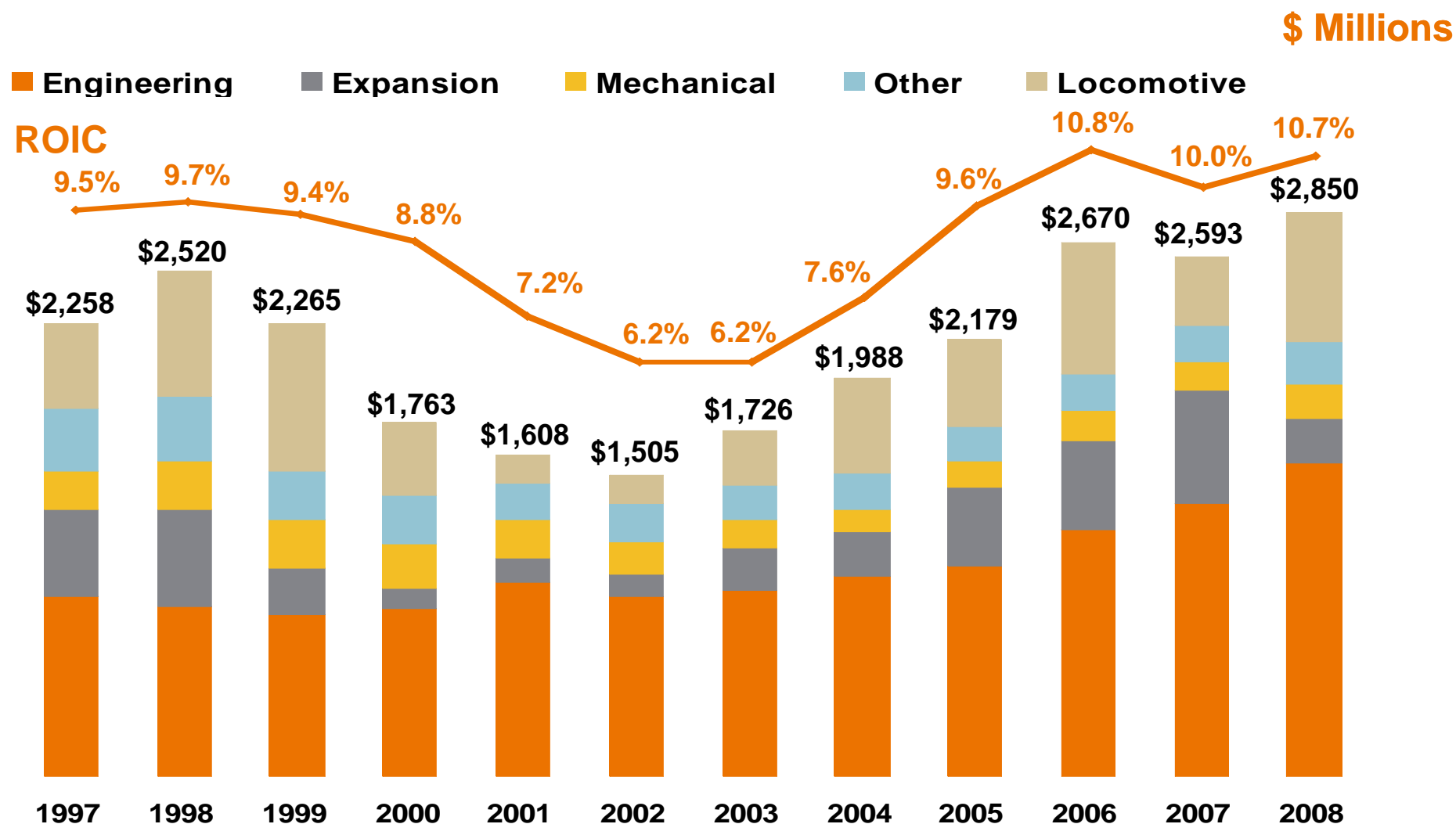


Rational regulation works



BNSF
RAILWAY

Capital Commitments with ROIC

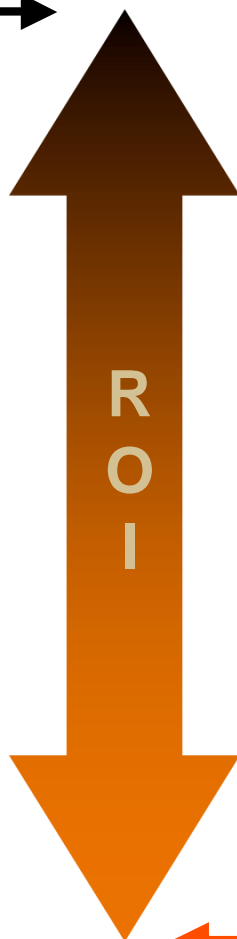


• 2002-2007: ROIC is restated to reflect the change in methodology for discounting operating leases.

The Capital Investment Reality

If $ROI > \text{cost of capital}$: →

- Faster, more reliable service
- Sustainability
- Stronger physical plant; more and better equipment
- Capital spending expands

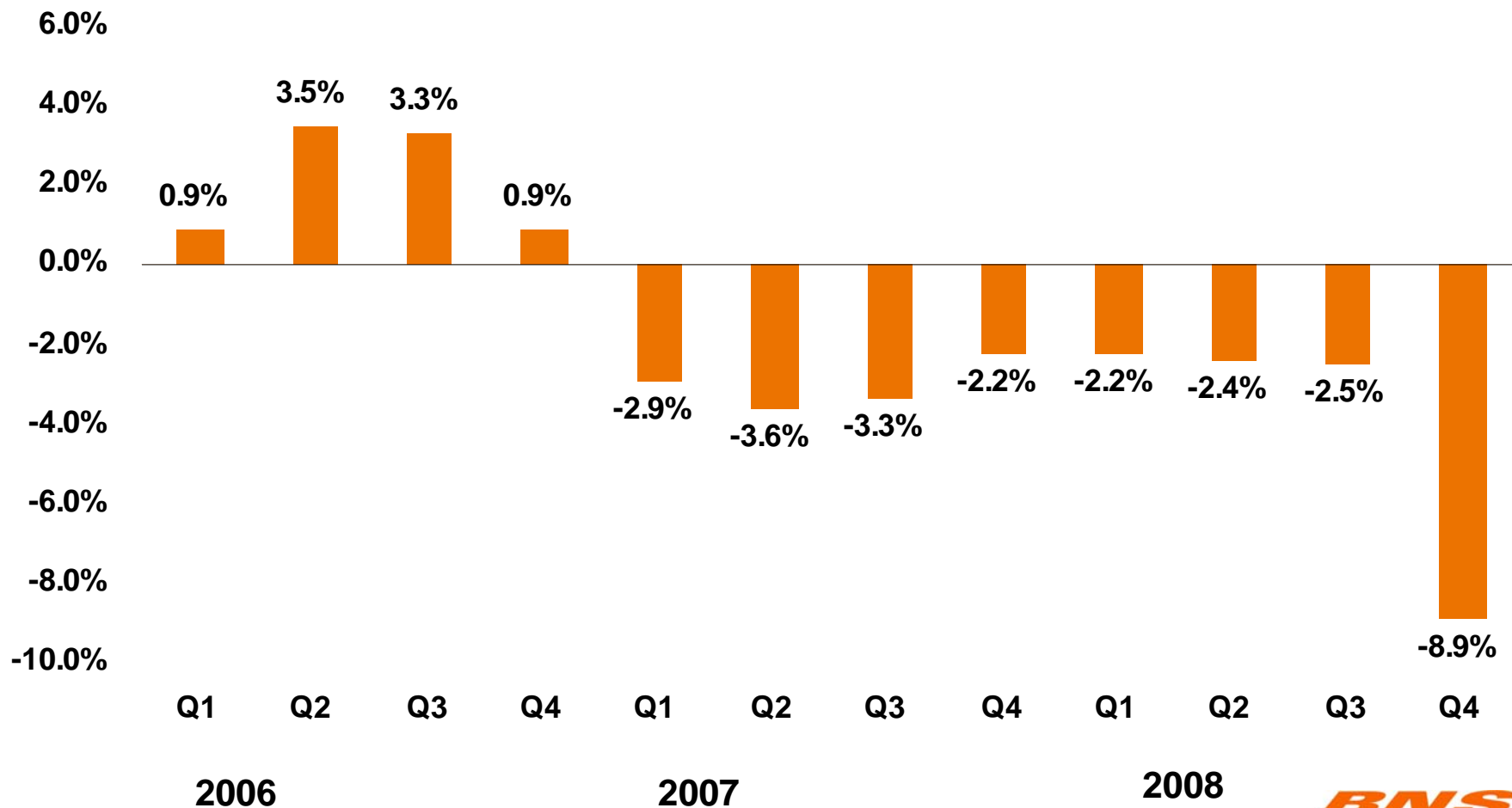


If $ROI < \text{cost of capital}$:

- Lower capital spending
- Weaker physical plant, equipment
- Slower, less reliable service
- Lower capital spending
- More congestion

Running a railroad through recession to recovery – Volumes

Percent change
Year over Year



Running a railroad through recession to recovery

Things to watch for

- **Capital**
- **Suppliers**
- **Investors**
- **Employee strength**

Call to action

- **Achieve a state of “good repair”**
- **Mode Neutral: Expand freight rail infrastructure & provide passenger options as well**
- **Increase funding from all sources - federal, local, state and private... to meet \$225 - \$349 billion a year in needs**
- **Shippers, states, federal government, all transportation sources must work together to sustain our leadership in surface transportation**

